

SENATE BILL REPORT

SB 5137

As of February 9, 2009

Title: An act relating to energy resources.

Brief Description: Regarding energy resources.

Sponsors: Senators Honeyford, Sheldon, Holmquist, Morton, Delvin, Hatfield and Parlette.

Brief History:

Committee Activity: Environment, Water & Energy: 2/04/09.

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Staff: William Bridges (786-7416)

Background: Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources.

Energy Conservation Assessments and Targets. Each qualifying electric utility must pursue all available conservation that is cost-effective, reliable, and feasible. By January 1, 2010, each qualifying utility must assess the conservation it can achieve through 2019, and update the assessments every two years for the next ten-year period. Beginning January 2010, each qualifying utility must meet biennial conservation targets that are consistent with its conservation assessments.

Eligible Renewable Resource Targets. Each qualifying utility must use eligible renewable resources or acquire equivalent renewable energy credits, or a combination of both, to meet the following annual targets:

- at least 3 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;
- at least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and
- at least 15 percent of its load by January 1, 2020, and each year thereafter.

Eligible Renewable Resources. "Eligible renewable resource" includes wind; solar; geothermal energy; landfill and sewage gas; wave and tidal power; and certain biomass and biodiesel fuels. Electricity produced from an eligible renewable resource must be generated

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in a facility that started operating after March 31, 1999. The facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Incremental electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

Co-Fired Fossil and Renewable Resources. If fossil and combustible renewable resources are co-fired in one generating unit located in the Pacific Northwest, and the co-firing started after March 31, 1999, the unit will be considered to produce eligible renewable resources in direct proportion to the percent of the total heat value associated with the renewable resources.

Renewable Energy Credit (REC). A REC is a tradable certificate of proof of at least one megawatt hour of an eligible renewable resource where the generation facility is not powered by fresh water. The credits can be bought and sold as a commodity in the energy marketplace. RECs can be used during the year they are acquired, the previous year, or the subsequent year.

Western Renewable Energy Generation Information System (WREGIS). WREGIS is a database designed to track all renewable energy generation in the geographic area covered by the Western Interconnection. It is a voluntary, fee-supported system developed by the Western Governors' Association, the Western Regional Air Partnership, and the California Energy Commission.

Initiative 937 required the Department of Community, Trade, and Economic Development (CTED) to select a tracking system to verify RECs. CTED selected WREGIS.

Western Electricity Coordinating Council (WECC). WECC is a regional electric reliability council that coordinates and ensures the reliability of the Western Interconnection Bulk Power System. Its membership includes transmission operators, utilities, utility customers, and state and provincial regulators. The WECC territory covers the provinces of Alberta and British Columbia, the northern portion of Baja California, Mexico, and all or portions of the 14 western states.

Voluntary Green-Power Program. Since 2002, each qualifying electric utility in the state has been required to offer its customers a voluntary choice to purchase electricity generated from alternative energy resources. A utility may purchase RECs in lieu of actual power under the program.

Summary of Bill: Changing the Definition of Biomass. The following are added to the definition of "biomass energy:" wooden demolition or construction debris, food waste that is decomposed in an anaerobic digester, and black liquors derived from algae.

Changing the Commencement Date for an Eligible Renewable Resource. The commencement date of a generation facility using an eligible renewable resource, other than fresh water, is changed from March 31, 1999, to March 31, 1995.

Expanding the Geographic Boundaries for RECs and Eligible Renewable Resources. The geographic limitation for an eligible renewable resource, other than fresh water, is expanded from the Pacific Northwest to the WECC. The same expansion applies to RECs.

Expanding the Definition of Eligible Renewable Resource. All hydroelectric generation in the Pacific Northwest is classified as an eligible renewable resource. In addition, any generated electricity derived from any renewable resource, including water, is an eligible renewable resource. Biomass-generated electricity from a facility in the Pacific Northwest that commenced operation before March 31, 1999, is an eligible renewable resource.

Providing an Extra 12 Months to Comply with Eligible Renewable Resource Acquisition Targets. Qualifying utilities may comply with the eligible renewable resources targets in 2012, 2016, and 2020, by December 31 of those years instead of January 1.

Allowing Utilities to Count a Customer's "Green Power" Purchases. In determining a qualifying utility's eligible renewable resources target, the utility may deduct from its annual load purchases made by customers using the utility's voluntary "green power" program.

Expanding the Banking Time for RECs. RECs may be banked indefinitely and may only be used once.

Expanding the Geographic Boundaries for Co-Fired Fossil and Renewable Resources. The geographic limitation on co-fired generating units is expanded from the Pacific Northwest to the WECC.

Creating an Exception to the Eligible Renewable Resource Targets. A qualifying utility is not required to comply with an eligible renewable acquisition target, if the utility would need to substitute electricity from an eligible renewable resource for electricity derived from a renewable resource owned by the utility.

Creating Alternative Compliance Payments for Investor-Owned Utilities (IOUs). IOUs may use alternative compliance payments to meet their eligible renewable acquisition targets. The Washington Utilities and Transportation Commission must establish an alternative compliance rate for each IOU and must determine the extent to which alternative compliance payments may be recovered in an IOU's rates.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Washington has the most strenuous renewable portfolio standard in the west. This bill makes Washington's standards more consistent with the other western states by adding provisions relating to small hydropower, biomass, and the WECC. The bill should recognize hydropower that supports the integration of wind. The

bill supports flexibility and will help keep people employed. Pulping liquors are renewable, and the bill properly recognizes it as such.

Persons Testifying: PRO: Vicki Austin, Washington PUD Association.; Kent Lopez, Washington Rural Electric Cooperatives; Chris McCabe, Association of Washington Business; Llewellyn Mathews, NW Pulp & Paper Association; Andrew Munro, Grant PUD; Collins Sprague, Avista; Tracy Yount, Chelan PUD.